Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Message Text

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PAGE 01 BEIRUT 15391 271514Z

51
ACTION TRSE-00

INFO OCT-01 AF-04 EUR-12 NEA-06 ISO-00 AEC-05 AID-05

CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 EB-07 FEAE-00

FPC-01 H-01 INR-07 INT-05 L-02 NSAE-00 NSC-05 OMB-01

PM-03 RSC-01 SAM-01 OES-03 SP-02 SS-15 STR-01 FRB-01

OPIC-03 FAA-00 DOTE-00 /094 W
---------- 046873
R 271324Z DEC 74
FM AMEMBASSY BEIRUT
TO SECSTATE WASHDC 2042
INFO AMEMBASSY KUWAIT
AMEMBASSY TRIPOLI
AMEMBASSY ABU DHABI
AMEMBASSY JIDDA
AMEMBASSY TEHRAN
AMEMBASSY CAIRO
AMEMBASSY ALGIERS
AMEMBASSY DAMASCUS
AMEMBASSY TUNIS
AMEMBASSY LONDON
AMEMBASSY KHARTOUM
AMEMBASSY AMMAN
AMEMBASSY KABUL
AMEMBASSY ISLAMABAD
AMEMBASSY SANAA
AMEMBASSY RABAT
AMEMBASSY PARIS

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EO 11652: N/A
TAGS: EINV, EFIN, EAID, XF, KU, LY, TC, SA, AG
SUBJECT: TRIPARTITE INVESTMENT IN LDC'S UTILIZING MIDDLE EAST
OIL FUNDS
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PAGE 02 BEIRUT 15391 271514Z

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

REF: STATE 281356

1. BEGIN SUMMARY: REGARDING TRIANGULAR INVESTMENT VENTURES, LEBANON PLAYS A DUAL ROLE. ON THE ONE HAND IT IS A NON-OIL PRODUCING ARAB COUNTRY IN NEED OF OUTSIDE RESOURCES TO DEVELOP ITS ECONOMY TO THE MAXIMUM POTENTIAL. ON THE OTHER HAND IT HAS A BANKING AND FINANCIAL INFRA-STRUCTURE CAPABLE OF RAISING CAPITAL AND ORGANIZING PROJECTS FOR IMPLEMENT-ATION ELSEWHERE. THE COUNTRY'S POLICY OF ECONOMIC LIBERALIZATION ENCOURAGES THE PRIVATE SECTOR AND FOREIGN PARTICIPATION IN GENERAL. THE EXISTENCE IN LEBANON OF AN EVER GROWING NUMBER OF U.S. BANKS, CONSULTING FIRMS, CONSTRUCTION AND EQUIPMENT FIRMS, ETC., OPERATING ON A REGIONAL BASIS, LENDS ADDED SIGNIFICANCE TO LEBANON FROM THE POINT OF VIEW OF U.S. ECONOMIC INTERESTS IN THE AREA. END SUMMARY.

2. EMBASSY WELCOMES OPPORTUNITY TO COMMENT ON REFTEL. AS WILL BE RECALLED, OUR INITIAL THINKING ON COORDINATING MID-EAST OIL FUNDS WITH U.S. KNOW HOW AND EXPORTS FOR THE DEVELOPMENT OF LDC'S WAS OUTLINED IN BEIRUT'S 0450 OF JANUARY 12.

3. IN A SENSE LEBANON CAN BE PLACED WITHIN TWO OF THE ANGLES OF THE TRIANGLE INVESTMENT CONCEPT. ON THE ONE HAND, IT IS A NON-OIL PRODUCING ARAB COUNTRY IN NEED OF OUTSIDE FUNDS TO DEVELOP ITS ECONOMY TO THE MAXIMUM DEGREE. ON THE OTHER HAND, IT IS A FINANCIAL CENTER HAVING THE STRUCTURAL CAPACITY AND KNOW HOW FOR TAPPING FUNDS FROM THE ARAB OIL PRODUCING COUNTRIES FOR VARIOUS VENTURES BOTH WITHIN AND WITHOUT ITS BORDERS.

4. REGARDING THE FIRST POINT, MUCH REMAINS TO BE DONE WITH RESPECT TO ENLARGING THE AIRPORT AND SEAPORT OF BEIRUT AND DEVELOPING THE SEAPORTS OF TRIPOLI AND SIDON. THE DEVELOP-MENT OF THE WHOLE SOUTHERN REGION OF THE COUNTRY IS A PROJECT REQUIRING HIGH PRIORITY. BESIDES THIS, TELE-COMMUNICATIONS AND THE ROAD AND RAIL TRANSPORTATION NETWORK ARE IN GREAT NEED OF IMPROVEMENT AND EXPANSION. PUBLIC AND PRIVATE HOUSING, SCHOOLS AND HOSPITALS ARE LIMITED OFFICIAL USE

IN SHORT SUPPLY AND PETROLEUM REFINERY CAPACITY IS NO LONGER ADEQUATE. A BROAD SPECTRUM OF SMALL AND MEDIUM SIZED INDUSTRY IS WANTING AND IS NEVETHELESS HIGHLY IMPORTANT FOR THE CONTINUED PROSPERITY OF THE COUNTRY.

5. FORTUNATELY, LEBANON HAS A POLICY OF ECONOMIC LIBERALISM IN WHICH THE PRIVATE SECTOR IS ENCOURAGED (REGRETABLY TO THE NEGLECT OF THE PUBLIC SECTOR, IT IS BEGINNING TO BE

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

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NOTICED) AND FOREIGN PRIVATE INVESTMENT IS GENERALLY WELCOMED. THE CONCEPT OF HAVING RECOURSE TO PRIVATE CONSULTING FIRMS FOR FEASIBILITY STUDIES, ETC., IS ALSO GRADUALLY TAKING HOLD.

6. REGARDING THE SECOND POINT, AS WE HAVE NOTED IN OUR A-146 OF JULY 8, 1974 ON THE FUTURE OF BEIRUT AS A REGIONAL BANKING CENTER, WHILE LEBANON HAS HAD A RATHER HIGHLY DEVELOPED COMMERCIAL BANKING SYSTEM FOR YEARS, ITS BACKGROUND IN INVESTMENT BANKING IS MUCH MORE MODEST. NEVERTHELESS, INVESTMNT FINANCE HAS TAKEN HOLD AS THE OPPORTUNITIES IN THE AREA GROW. IN OUR A-150 OF JULY 9, 1974 AND A-254 OF DECEMBER 23, 1974, WE HAVE DESCRIBED THE 11 INVESTMENT BANKS AND COMPANIES, MANY WITH ARAB COUNTRY PARTICIPATION, THAT HAVE BEEN ORGANIZED WITHIN THE LAST TWO YEARS. THESE ORGANIZATIONS ARE CAPABLE OF RAISING FUNDS AND PUTTING TOGETHER PROJECTS BOTH HERE AND ABROAD.

7. FROM THE POINT OF VIEW OF U.S. ECONOMIC SELF-INTERESTS, IT SHOULD BE RECALLED THAT THERE ALREADY EXISTS IN LEBANON AS EVER INCREASING NUMBER (AS INDICATED IN THE EMBASSY'S 1974-75 EDITION OF AMERICAN BUSINESS CONCERNS IN LEBANON) OF U.S. BANKS, CONSULTANT FIRMS, CONSTRUCTION FIRMS, BUILDING EQUIPMENT AND ROAD BUILDING EQUIPMENT FIRMS, ETC., THE VAST BULK OF WHICH ARE SET UP ON A REGIONAL BASIS AND ARE OF COUSE DESIROUS OF GETTING AN INCREASINGLY LARGE SHARE OF THE ACTION.
GODLEY

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Copy: SINGLE
Draft Date: 27 DEC 1974
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Disposition Case Number: n/a
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Disposition Date: 28 MAY 2004
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